

# OPTIONAL COVENANT AND CONDITION NO. SMC-1685

## PREPAYMENTS TERMS AND CONDITIONS

### Prepayment Charges – Paying off your mortgage before the maturity date.

You may pay off some, or the entire mortgage early based on the following terms. If we later agree to change or extend the terms of the mortgage, these prepayment conditions do not apply to the new renewal or extended term.

### Miss-a-Payment® Option

You may miss any scheduled payment, as long as you have prepaid an amount equal to the amount of the payments you intend to miss in this term and your mortgage is not in default. You cannot however, miss your Mortgage Protection premium, if applicable.

If this is a Progress Draw Construction Mortgage, the *Miss-a-Payment* option is only applicable during the conversion product term of your mortgage and is not applicable during the initial interest-only term of your mortgage.

### Continuing Liability

Unless you prepay the balance of the principal amount owing, you must continue to make your regular monthly mortgage payments.

### Prepayments

Providing all your mortgage payments are up to date, you may increase your payments, or pay off some of your mortgage early in one of the ways listed in the chart below. These options apply to partial prepayments only. The options are available each year and cannot be saved to use in a later year. Each year is defined as the 12-month period starting on the Term Start Date (also referred to as the Interest Adjustment Date) or the anniversary of that date. If your mortgage term is less than 12 months, these options are available in each term.

If this is a Progress Draw Construction Mortgage, these options are only applicable during the conversion product term of your mortgage and are not applicable during the initial interest-only term of your mortgage.

PREPAYMENT OPTIONS		
How	When	What it means
1 *by paying an extra regular mortgage payment (principal, interest and taxes)	on any regular payment date during the year	your principal mortgage balance will be reduced by that amount
2. *by paying up to 15% of the original principal amount of your mortgage	at any time (excluding day prepaid in full), sum total not to exceed the yearly maximum	
3. by increasing your regular mortgage payment by up to 15% of the current principal and interest payment.	once each year of the term of your mortgage	

\*Only items 1 & 2 qualify for the *Miss-a-Payment* option.

### Prepayment Cost

When you prepay some, or the entire principal of your mortgage, you will incur prepayment costs unless the partial prepayment is in accordance with the *prepayment options* chart above. The cost to pay off some, or the entire principal amount of your mortgage early, is 3 months interest costs on the amount you want to prepay. The interest rate used to calculate the 3 months interest is the interest rate being charged on the mortgage at the time of the prepayment.

### Cashback

If you receive a cashback with your mortgage, the cashback amount will be repayable if your mortgage loan does not remain outstanding with us for the full term. If your mortgage is partially prepaid, paid off in full, transferred, assumed, or renewed prior to expiry of the term, the cashback amount will appear as payable in any assumption, discharge or early renewal statement and will be calculated on an even prorated basis using the following formula;

$$\text{Cashback Repayment} = \frac{\text{Remaining Term in months (rounded up)}}{\text{Original Term in months}} \times \frac{\text{Cashback Amount Received}}{\text{Cashback Amount Received}}$$

### Portable Mortgage

You may transfer your existing mortgage balance to a new home. You must apply for a new mortgage and meet all our normal qualifications as if you were applying for any other new mortgage. In this case, we will not charge you a prepayment cost.

### Early Renewal

You may early renew this mortgage into a fixed rate, closed prepayment type mortgage with us, with an equivalent or greater term than the remaining term of the mortgage without a prepayment cost.

If this is a Progress Draw Construction Mortgage, this option is only applicable during the conversion product term of your mortgage and is not applicable during the initial interest-only term of your mortgage.